



FOR IMMEDIATE RELEASE

March 16, 2007

FACT SHEET

SANDERS ANNOUNCES RELEASE OF FY03 “CLEAN” AUDIT OPINION; SCHEDULE FOR RELEASE OF FUTURE CITY AUDITS

RELEASE IS FIRST MAJOR STEP TOWARD CITY ACCESSING PUBLIC MARKETS

Mayor Jerry Sanders today announced that the City has received the long-awaited FY03 audit opinion letter from KPMG. This is the first major step toward re-accessing the public credit markets to finance major capital improvements projects. Along with the completion of the Kroll investigation and the agreement with the SEC, the release of the audit opinion letter is proof that the City is making great strides toward regaining the confidence of the financial markets and the public.

Prior to being able to access public capital, the City must also have audited financial statements for FY04 and FY05. The Mayor today announced the following schedule for the City's release of audited financial statements:

- FY04: within 45 days (approximately mid May)
- FY05: within 90 days thereafter (approximately mid August)
- FY06: within 90 days thereafter (approximately mid November)
- FY07: within 90 days thereafter (approximately mid February 2008)

Pursuant to the City's Municipal Code, the City Council will be asked to receive the audited financial statements. The statements will be then be sent to the three rating agencies. The rating agencies have told the City that they will begin a formal dialogue with the City once they have received the FY04 audited statements but will not reconsider a credit rating for the City until they have received FY05. Only Standard & Poor's (S&P) has suspended the City's rating altogether.

The City is hopeful that each rating agency will release an updated rating for the City upon its release of the audited financial statements for FY05. The City will then be able to access public capital.

Why did the FY03 Audit take so long?

- KPMG is the second audit firm to have tackled the City's FY03 financial statements. The first audit firm, Caporicci and Larson, was released.
- KPMG was engaged on April 13, 2004.
- This is the first time in the City's history in which the financial statements have been prepared entirely by City staff. Previously, the audit firms were asked to inappropriately prepare most of the documents thus compromising their ability to independently assess the factual reliability of the information.
- The City had very poor internal controls which resulted in over 66 restatements worth approximately \$1 billion in absolute value. Those internal control problems are the subject of the various remediation measures launched by the Mayor.
- Many restatements were related to transactions that occurred 50 years ago, sometimes over 104 years ago (capital asset acquisitions and sales).
- Prior to the receipt of an audit opinion, KPMG required that the City complete an "illegal acts" investigation by Kroll.
- The City and KPMG had to re-audit or perform additional procedures on its discrete and blended component units.